

FDIC State Profile

Fall 2005

Mississippi

Mississippi sustains serious damage from Hurricane Katrina.

- Hurricane Katrina made landfall on August 29, 2005 with 160 mile per hour winds and water surges over 20 feet. Small communities like Waveland and Pass Christian were virtually leveled and the larger cities of Gulfport and Biloxi sustained severe damage. Local reports reflect the damage eclipses that caused by Hurricane Camille in 1969, heretofore the measure for local disasters.
- In addition to the loss of many lives, significant damage has been inflicted on homes, businesses, and critical infrastructures throughout Mississippi, with the most severe damage occurring in the Gulf Coast area. Almost 90 percent of the structures in this area were seriously damaged or destroyed.¹

Mississippi job growth slowed prior to Katrina.

- Nearly 12,000 jobs were created in Mississippi during the year ending second quarter 2005. The pace of job gains reflected a slowing in the rate of growth compared with the first quarter and one which was below the national growth rate (see Chart 1).
- Recent job gains were recorded in most employment sectors with the exception of the relatively small natural resources/mining sector and the much larger manufacturing sector.

Preliminary data provides insight into the extent of destruction caused by the Hurricane.

- Every county in Mississippi has been declared eligible for disaster relief as a result of the damage caused by Hurricane Katrina, including fifteen of the southern most counties in the state which were originally designated as eligible for individual and public assistances because of severe damage. On September 11th, the latter group was expanded to cover 32 more counties, and now includes over half of the counties and insured institutions headquartered in the state (see Map 1).

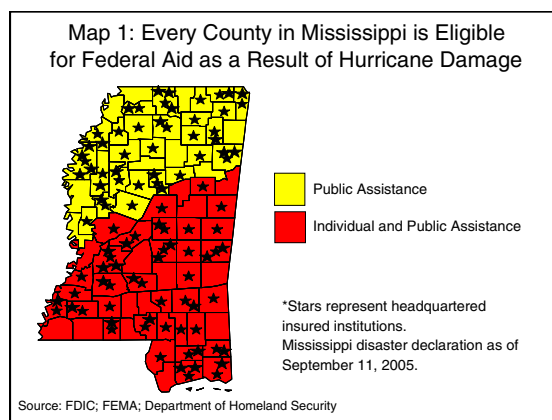
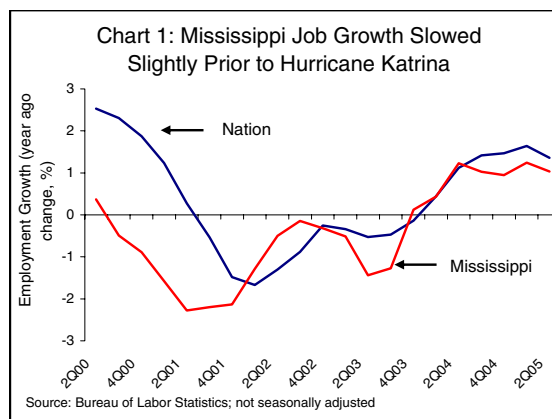


Table 1: All of Mississippi's Counties Qualify for Some Form of Federal Assistance

FEMA Disaster Area Relief	Number of counties	Population (000s)	Share of total jobs in Mississippi (2Q05)	Number of banks (2Q05)
Public Assistance	35	971	32.7%	46
Individual and Public Assistance	47	1,947	67.3%	54
Mississippi	82	2,918		100

Disaster declaration as of September 11, 2005; population are estimates for 2005
Source: FDIC; FEMA; Department of Homeland Security; Bureau of Labor Statistics

¹The Mississippi Gulf coast areas include the Gulfport/Biloxi and Pascagoula metropolitan areas - George, Hancock, Harrison, Jackson, and Stone counties.

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- Two-thirds of the state's population and a similar share of jobs are located within the area designated for individual and public assistance (see Table 1).

The damage to gaming and lodging businesses on the coast is a blow to tourism.

- The damage to the twelve casinos located on the coast was enormous and although many operators are already planning to repair or rebuild their facilities that work is expected to extend well into next year and possibly beyond. In addition to the operating casinos, the Hard Rock casino, a brand new \$235 million hotel and casino was to have opened within a week of the hurricanes land fall, but sustained serious damage.
- According to a September 16th press release from Lodging Econometrics, there are 93 Mississippi hotels with nearly 14,000 rooms closed as a result of damage. The figures include all of the hotels operated by the coastal casinos. In Biloxi and Gulfport two-thirds or more of the inventory of rooms is currently unavailable. The report indicates that many of the rooms currently in use are occupied by emergency workers and cleanup crews, and although in use, a significant number of those rooms need extensive rehabilitation prior to general occupancy.

Forestry and poultry operations take a big hit from the hurricane.

- The state's forestry industry sustained significant damage as hurricane force winds toppled timber with an estimated value of \$1.3 billion. The downed trees are the equivalent of two typical years of harvest. Salvage is possible, but the longer the trees remain in place the value drops as quality deteriorates. Furthermore, fuel costs, a big variable for harvesters, are up dramatically from levels a year ago.
- The state's \$2 billion poultry industry sustained significant damage from the hurricane with an estimated loss of six million chickens. Three hundred chicken houses are estimated to have been destroyed and an additional 2,400 damaged as a result of the storm.

Near term changes are in store for the Mississippi economy and its insured institutions.

- In the near term as a result of the hurricane, employment numbers and other economic indicators will likely fluctuate well beyond typical ranges. Initially, economic measures will trend adversely as people left unemployed by the hurricane will file for unemployment benefits while some evacuees who left the state may decide to permanently relocate. However those trends are likely to reverse, as increasing amounts of insurance, federal and private funds begin to flow into the damaged areas

resulting in numerous construction-related jobs and growth in businesses supporting the building trades.

- Institutions headquartered in the state are likely to see a temporary decline in the level of loans and deposits and an increase in the level of past-due loans considering the widespread property damage, loss of jobs, and dislocation of people resulting from the hurricane. However, as money flows back into the damaged communities, and individuals and businesses undertake repair and rebuilding the positive trends could return rather quickly.

Mississippi at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q2-05	Q1-05	Q2-04	2004	2004
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.0%	1.2%	1.2%	0.9%	-0.8%
Manufacturing (16%)	-0.3%	-0.2%	0.9%	0.2%	-4.8%
Other (non-manufacturing) Goods-Producing (5%)	1.3%	0.5%	-2.6%	-2.2%	-5.5%
Private Service-Producing (57%)	1.5%	1.7%	1.8%	1.5%	0.5%
Government (22%)	0.8%	1.2%	1.1%	0.7%	0.3%
Unemployment Rate (% of labor force)	7.0	7.0	5.9	6.2	6.4

Other Indicators	Q2-05	Q1-05	Q2-04	2004	2004
Personal Income	6.3%	6.2%	6.6%	6.2%	4.3%
Single-Family Home Permits	3.0%	-2.8%	12.8%	6.5%	17.0%
Multifamily Building Permits	81.9%	-36.2%	-54.6%	58.0%	12.1%
Existing Home Sales	7.4%	7.9%	19.9%	12.8%	7.3%
Home Price Index	5.5%	5.2%	3.8%	4.2%	3.4%
Bankruptcy Filings per 1000 people (quarterly annualized level)	7.93	7.42	7.24	7.29	8.21

BANKING TRENDS

General Information	Q2-05	Q1-05	Q2-04	2004	2004
Institutions (#)	100	100	102	102	103
Total Assets (in millions)	43,964	43,516	41,641	42,050	40,055
New Institutions (# < 3 years)	0	0	1	1	1
Subchapter S Institutions	20	20	20	20	16

Asset Quality	Q2-05	Q1-05	Q2-04	2004	2004
Past-Due and Nonaccrual Loans / Total Loans (median %)	2.30	2.36	2.46	2.38	2.79
ALLL/Total Loans (median %)	1.48	1.53	1.51	1.49	1.52
ALLL/Noncurrent Loans (median multiple)	2.39	1.92	2.12	2.26	1.85
Net Loan Losses / Total Loans (median %)	0.10	0.10	0.12	0.22	0.28

Capital / Earnings	Q2-05	Q1-05	Q2-04	2004	2004
Tier 1 Leverage (median %)	9.92	10.01	9.90	9.83	9.81
Return on Assets (median %)	1.20	1.17	1.20	1.11	1.06
Pretax Return on Assets (median %)	1.59	1.50	1.60	1.50	1.50
Net Interest Margin (median %)	4.16	4.14	4.08	4.18	4.18
Yield on Earning Assets (median %)	5.97	5.79	5.63	5.73	5.98
Cost of Funding Earning Assets (median %)	1.84	1.69	1.54	1.57	1.80
Provisions to Avg. Assets (median %)	0.11	0.12	0.12	0.17	0.21
Noninterest Income to Avg. Assets (median %)	0.92	0.86	0.95	0.98	0.87
Overhead to Avg. Assets (median %)	3.13	3.13	3.12	3.20	3.14

Liquidity / Sensitivity	Q2-05	Q1-05	Q2-04	2004	2004
Loans to Assets (median %)	62.6	59.5	61.7	62.1	61.4
Noncore Funding to Assets (median %)	23.8	21.6	21.9	21.7	20.9
Long-term Assets to Assets (median %, call filers)	10.6	11.7	16.4	12.2	14.2
Brokered Deposits (number of institutions)	17	17	14	17	14
Brokered Deposits to Assets (median % for those above)	1.3	1.7	2.1	2.2	1.5

Loan Concentrations (median % of Tier 1 Capital)	Q2-05	Q1-05	Q2-04	2004	2004
Commercial and Industrial	75.6	77.8	77.1	72.5	73.0
Commercial Real Estate	179.0	170.3	148.7	182.9	155.7
Construction & Development	26.8	21.6	21.2	22.1	18.3
Multifamily Residential Real Estate	2.1	2.0	2.6	2.2	2.2
Nonresidential Real Estate	130.7	122.2	111.2	130.4	110.1
Residential Real Estate	176.9	180.3	180.5	185.1	174.7
Consumer	68.5	68.6	75.7	71.6	80.2
Agriculture	32.7	30.8	32.0	33.7	27.2

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Memphis, TN-MS-AR	54	25,949	< \$250 million	75 (75%)
Jackson, MS	23	7,071	\$250 million to \$1 billion	18 (18%)
Gulfport-Biloxi, MS	12	2,804	\$1 billion to \$10 billion	6 (6%)
Hattiesburg, MS	15	1,568	> \$10 billion	1 (1%)
Pascagoula, MS	11	1,288		